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By: **Delegate Cryor**  
Introduced and read first time: February 13, 2004  
Assigned to: Ways and Means

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 26, 2004

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Tax Credit Income Tax Subtraction Modification for Cost of Employee**  
3 **Teleworking Expenses**

4 FOR the purpose of ~~authorizing a credit against the State income tax~~ providing a  
5 subtraction modification under the Maryland income tax for costs incurred by  
6 an employer for certain teleworking expenses of certain employees; providing  
7 that the ~~credit~~ subtraction modification of each employer may not exceed a  
8 certain amount ~~and that any unused credit for a taxable year may not be carried~~  
9 ~~over to any other taxable year~~; authorizing an employer to submit an application  
10 for the ~~tax credit~~ subtraction modification to the Secretary of Transportation;  
11 requiring the Secretary to certify to each employer the amount of ~~credit~~  
12 subtraction modification that the Secretary approves by a certain date;  
13 providing that the total amount of the credit subtraction modification allowed  
14 for all employers may not exceed a certain amount; requiring the Secretary to  
15 submit a certain report; specifying the contents of the report; defining certain  
16 terms; providing for the application and termination of this Act; and generally  
17 relating to a ~~tax credit against the State income tax~~ an income tax subtraction  
18 modification for certain employer costs incurred for certain employee  
19 teleworking expenses.

20 BY adding to  
21 Article - Tax - General  
22 Section ~~10-725~~ 10-210.2 and 10-311  
23 Annotated Code of Maryland  
24 (1997 Replacement Volume and 2003 Supplement)

25 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
26 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Tax - General**2 ~~40-725. 10-210.2.~~3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
4 INDICATED.5 (2) (I) "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" MEANS  
6 EXPENSES PAID BY AN EMPLOYER FOR EQUIPMENT OR SERVICES THAT ARE USED BY  
7 AN EMPLOYEE TO TELEWORK.8 (II) "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" INCLUDES  
9 THE COSTS FOR:10 1. INSTALLING AND MAINTAINING COMPUTERS, CABLE  
11 MODEM OR TELEPHONE LINES, AND TELECOMMUNICATIONS EQUIPMENT AT THE  
12 PRIVATE RESIDENCE OF AN EMPLOYEE WHO HAS BEEN AUTHORIZED TO TELEWORK  
13 BY THE EMPLOYER OR AT AN ALTERNATE WORK SITE THAT HAS BEEN APPROVED BY  
14 THE EMPLOYER; AND15 2. PAYING FOR CABLE MODEM OR TELECOMMUNICATIONS  
16 SERVICES, SUCH AS A MONTHLY FEE FOR CONNECTION TO THE INTERNET, THAT ARE  
17 NECESSARY FOR AN EMPLOYEE WHO HAS BEEN AUTHORIZED TO TELEWORK BY AN  
18 EMPLOYER.19 (III) "ELIGIBLE EMPLOYEE TELEWORKING EXPENSES" DOES NOT  
20 INCLUDE COSTS INCURRED FOR USE OF EQUIPMENT OR SERVICES FOR PURPOSES  
21 OTHER THAN TELEWORKING.22 (3) "EMPLOYER" MEANS A PERSON CONDUCTING OR OPERATING A  
23 TRADE OR BUSINESS IN THE STATE.

24 (4) "SECRETARY" MEANS THE SECRETARY OF TRANSPORTATION.

25 (5) "TELEWORKING" MEANS USING CABLE MODEM OR  
26 TELECOMMUNICATIONS TECHNOLOGY TO WORK AT A LOCATION OTHER THAN A  
27 TRADITIONAL OFFICE SETTING.28 (B) (1) IN ADDITION TO THE MODIFICATIONS UNDER §§ 10-204 THROUGH  
29 10-210 OF THIS SUBTITLE. TO DETERMINE MARYLAND ADJUSTED GROSS INCOME,  
30 SUBJECT TO SUBSECTION (C) OF THIS SECTION, AN EMPLOYER MAY CLAIM A CREDIT  
31 AGAINST THE STATE INCOME TAX IN AN AMOUNT AN AMOUNT SHALL BE  
32 SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME OF AN EMPLOYER EQUAL  
33 TO 25% 100% OF THE COSTS INCURRED BY THE EMPLOYER DURING THE TAXABLE  
34 YEAR FOR ELIGIBLE EMPLOYEE TELEWORKING EXPENSES.35 (2) THE MAXIMUM AMOUNT THAT AN EMPLOYER MAY ~~CLAIM~~ SUBTRACT  
36 UNDER PARAGRAPH (1) OF THIS SUBSECTION IS \$5,000.

1           (3)     ~~THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE~~  
2 ~~TAX LIABILITY OF THE EMPLOYER AND MAY NOT BE CARRIED OVER TO ANY OTHER~~  
3 ~~TAXABLE YEAR.~~

4       (C)     (1)     ON OR BEFORE OCTOBER 1 OF EACH YEAR, AN EMPLOYER MAY  
5 SUBMIT AN APPLICATION TO THE SECRETARY FOR APPROVAL OF THE ~~CREDIT~~  
6 SUBTRACTION MODIFICATION FOR A TAXABLE YEAR THAT BEGINS IN THE NEXT  
7 CALENDAR YEAR.

8           (2)     THE TOTAL AMOUNT OF ~~CREDITS~~ SUBTRACTION MODIFICATIONS  
9 APPROVED BY THE SECRETARY FOR EACH CALENDAR YEAR UNDER THIS SECTION  
10 MAY NOT EXCEED:

11                   (I)     \$100,000 IN 2005;

12                   (II)    \$175,000 IN 2006; AND

13                   (III)   \$250,000 IN 2007.

14           (3)     IF THE TOTAL AMOUNT OF ~~CREDITS~~ SUBTRACTION MODIFICATIONS  
15 APPLIED FOR BY ALL EMPLOYERS EXCEEDS THE MAXIMUM SPECIFIED IN  
16 PARAGRAPH (2) OF THIS SUBSECTION, THE SECRETARY SHALL APPROVE ~~CREDIT~~  
17 SUBTRACTION MODIFICATIONS UNDER THIS SECTION IN THE ORDER IN WHICH  
18 ~~CREDIT~~ APPLICATIONS WERE RECEIVED.

19           (4)     ON OR BEFORE NOVEMBER 15 OF EACH YEAR, THE SECRETARY  
20 SHALL CERTIFY TO EACH EMPLOYER THE ~~MAXIMUM AMOUNT OF THE CREDIT~~  
21 SUBTRACTION MODIFICATION APPROVED FOR THE EMPLOYER UNDER THIS SECTION  
22 FOR THE TAXABLE YEAR THAT BEGINS IN THE NEXT CALENDAR YEAR.

23           (5)     TO CLAIM THE ~~CREDIT~~ SUBTRACTION MODIFICATIONS UNDER THIS  
24 SECTION, AN EMPLOYER SHALL ATTACH A COPY OF THE SECRETARY'S  
25 CERTIFICATION OF THE ~~MAXIMUM APPROVED CREDIT AMOUNT~~ SUBTRACTION  
26 MODIFICATION TO THE EMPLOYER'S INCOME TAX RETURN.

27       (D)     ON OR BEFORE DECEMBER 15 OF EACH YEAR, THE SECRETARY SHALL  
28 SUBMIT TO THE COMPTROLLER AND, SUBJECT TO § 2-1246 OF THE STATE  
29 GOVERNMENT ARTICLE, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE  
30 HOUSE OF DELEGATES A REPORT ON THE ~~TAX-CREDIT~~ SUBTRACTION  
31 MODIFICATIONS APPROVED UNDER THIS SECTION FOR THE TAXABLE YEAR THAT  
32 BEGINS IN THE NEXT CALENDAR YEAR, INCLUDING:

33           (1)     THE TOTAL NUMBER OF EMPLOYERS THAT APPLIED FOR THE ~~TAX~~  
34 ~~CREDIT~~ SUBTRACTION MODIFICATIONS UNDER THIS SECTION AND THE TOTAL  
35 NUMBER OF EMPLOYERS APPROVED;

36           (2)     THE TOTAL AMOUNT OF ~~CREDIT~~ SUBTRACTION MODIFICATIONS  
37 SOUGHT BY ALL EMPLOYERS AND THE TOTAL AMOUNT OF ~~CREDIT~~ SUBTRACTION  
38 MODIFICATIONS APPROVED BY THE SECRETARY FOR ALL EMPLOYERS; AND

1 (3) FOR EACH EMPLOYER APPROVED:

2 (I) THE NAME AND PHYSICAL LOCATION OF THE EMPLOYER IN  
3 THE STATE;

4 (II) THE NUMBER OF EMPLOYEES THAT WOULD BE TELEWORKING  
5 UNDER THE EMPLOYER AND FOR WHOM THE EMPLOYER IS SEEKING THE ~~CREDIT~~  
6 SUBTRACTION MODIFICATIONS;

7 (III) THE ELIGIBLE EMPLOYEE TELEWORKING EXPENSES FOR EACH  
8 EMPLOYEE; AND

9 (IV) THE AMOUNT OF ~~CREDIT~~ SUBTRACTION MODIFICATIONS  
10 SOUGHT BY THE EMPLOYER AND THE AMOUNT OF ~~CREDIT~~ SUBTRACTION  
11 MODIFICATIONS APPROVED BY THE SECRETARY.

12 (E) THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO CARRY OUT  
13 THE PROVISIONS OF THIS SECTION.

14 10-311.

15 IN ADDITION TO THE MODIFICATIONS UNDER §§ 10-305 THROUGH 10-309 OF  
16 THIS SUBTITLE, TO DETERMINE MARYLAND MODIFIED INCOME A CORPORATION  
17 SHALL SUBTRACT FROM FEDERAL TAXABLE INCOME THE SUBTRACTION ALLOWED  
18 FOR AN INDIVIDUAL UNDER § 10-210.2 OF THIS TITLE.

19 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take~~  
20 ~~effect July 1, 2004, and shall apply to all taxable years beginning after December 31,~~  
21 ~~2004.~~

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
23 effect July 1, 2004 and shall be applicable to all taxable years beginning after  
24 December 31, 2004 but before January 1, 2008. It shall remain effective for a period of  
25 4 years and, at the end of June 30, 2008, with no further action required by the  
26 General Assembly, this Act shall be abrogated and of no further force and effect.